Innovation Saskatchewan

Financial Statements

For the year ended March 31, 2012

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Innovation Saskatchewan, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Innovation Saskatchewan as at March 31, 2012, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
July 24, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

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Statement 1

Innovation Saskatchewan
Statement of Financial Position
March 31, 2012

	(thousands of dollars) 2012	2011
Financial Assets		
Due from General Revenue Fund (Note 3)	$ 7,387	$ 9,086
Accounts Receivable	28	6
	7,415	9,092
Liabilities		
Accounts Payable and Accrued Liabilities	4,574	294
Net Financial Assets (Statement 3)	2,841	8,798
Non-Financial Assets		
Prepaid Expenses	1	-
Accumulated Surplus (Statement 2)	$ 2,842	$ 8,798

(See accompanying notes to financial statements)

Statement 2

Innovation Saskatchewan
Statement of Operations and Accumulated Surplus
for the Year Ended March 31, 2012

(thousands of dollars)

	Budget (Note 4)	2012 Actual	2011 Actual
Revenue			
Grants from the General Revenue Fund	$ 3,467	$ 3,467	$ 9,818
Other		105	309
	3,467	3,572	10,127
Expenses			
Administration	1,987	1,348	770
Program Grants			
Nuclear Strategy	-	7,000	-
SAIF (Note 9)	1,000	700	-
Other	480	480	559
	3,467	9,528	1,329
Annual (Deficit) Surplus	$ -	(5,956)	8,798
Accumulated Surplus, Beginning of Year		8,798	-
Accumulated (Deficit) Surplus, End of Year (Statement 1)		$ 2,842	$ 8,798

(See accompanying notes to financial statements)

Statement 3

Innovation Saskatchewan
Statement of Change in Net Financial Assets
for the Year Ended March 31, 2012

	(thousands of dollars) 2012	2011
Annual (Deficit) Surplus	$ (5,956)	$ 8,798
Increase in Prepaid Expenses	(1)	-
Increase in Financial Assets	(5,957)	8,798
Net Financial Assets, Beginning of Year	8,798	-
Net Financial Assets, End of Year (Statement 1)	$ 2,841	$ 8,798

(See accompanying notes to financial statements)

Statement 4

Innovation Saskatchewan
Statement of Cash Flows
for the Year Ended March 31, 2012

	(thousands of dollars)	
Cash Provided by Operating Activities	**2012**	**2011**
Cash Receipts from General Revenue Fund	3,550	10,415
Cash Paid to Suppliers and Employees	(5,250)	(1,329)
(Decrease) Increase in Due From General Revenue Fund	(1,700)	9,086
Due from General Revenue Fund, Beginning of Year	9,086	-
Due from General Revenue Fund, End of Year	$ 7,386	$ 9,086

(See accompanying notes to financial statements)

1. Status of Innovation Saskatchewan

Innovation Saskatchewan was established under the provisions of *The Innovation Saskatchewan Act*.

Innovation Saskatchewan is the central agency of the Government of Saskatchewan with responsibility for implementing Saskatchewan's innovation priorities. Innovation Saskatchewan coordinates the strategic direction of the government's research and development and science and technology expenditures; provides advice on science and technology policy; coordinates the establishment and maintenance of science, research and development infrastructure; and provides advice and recommendations on research, development, demonstration, and the commercialization of new technologies and innovative processes in Saskatchewan. Innovation Saskatchewan is a corporate body eligible to receive monies primarily appropriated by the legislature for these purposes.

2. Significant Accounting Policies

These financial statements are prepared using Canadian generally accepted accounting principles appropriate for the public sector and reflect the following significant accounting principles:

a) Revenue

Revenue is recognized in the period in which the transactions or events occurred that give rise to the revenue. Grants from the General Revenue Fund are unrestricted in nature and are recognized as they are received or receivable.

b) Expenses

Expenses represent the cost of resources consumed during the year for operations and grants made to third-party organizations. Grants are recognized as expenses in the period during which the transfer is authorized and eligibility criteria are met.

c) Non-financial Assets

Non-financial assets are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge existing liabilities unless they are sold.

d) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses

during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the Statement of Operations and Accumulated Surplus in the period in which they become known.

3. Due from the General Revenue Fund

Innovation Saskatchewan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. Interest is paid on a quarterly basis at the government's 30-day average interest rate. The average rate for 2011-12 was 1.05% (2010-11 was 0.80%). Interest earned during the year was $105,000 (2010-11 – $9,000).

4. Budget Approval

The 2011-12 budget was reviewed and approved by the Innovation Saskatchewan Board on July 18, 2011.

5. Related Parties

These financial statements include routine transactions with related parties. Innovation Saskatchewan is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan.

Related party transactions to March 31, 2012 include the following:

(thousands of dollars)

Revenue	**2012**	**2011**
General Revenue Fund	$ 3,572	$ 10,127
Expense		
Ministry of Government Services	$ 6	$ 37
Ministry of Energy and Resources	112	77
University of Saskatchewan	31	30
Sasktel	13	5
Saskatoon Regional Health Authority	4,000	-
Canadian Centre for Nuclear Innovation - Grant	3,000	-
Accounts Receivable	27	6
Accounts Payable	4,002	72

Contractual Obligations	(thousands of dollars) Leases	Operational	Programming
2012-13	$ 77	$ 5	$ 4,090
2013-14	77		6,090
2014-15	6		5,000
2015-16			5,000
2016-17			4,000
Thereafter			8,000
Total	$ 160	$ 5	$ 30,180

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms. In addition, Innovation Saskatchewan pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases.

6. Financial Instruments

Innovation Saskatchewan's financial instruments include: Due from the General Revenue Fund, Accounts Receivable and Accounts Payable and Accrued Liabilities. The carrying amount of these instruments approximates fair value due to their short-term nature. These instruments have no material interest or credit risk.

7. Expense by Object

Expenses	(thousands of dollars) March 31, 2012	March 31, 2011
Goods and Services	$ 359	$ 197
Grants and Transfers	8,269	456
Pension and Benefits	107	72
Salaries and Benefits	705	563
Travel	88	41
	$ 9,528	$ 1,329

8. Contractual Obligations

Innovation Saskatchewan has a non-related party program obligation to Hitachi, Ltd.

	(thousands of dollars) Programming
2012-13	$ 2,000
2013-14	1,000
2014-15	1,000
2015-16	1,000
	$ 5,000

9. Designated Assets

Innovation Saskatchewan is holding $1,800,000 as designated assets to be spent as follows:

	(thousands of dollars)	
Designated Assets	**March 31, 2012**	**March 31, 2011**
Nuclear Strategy Program	$ 1,500	$ 8,500
SAIF	300	-
	$ 1,800	$ 8,500

Innovation Saskatchewan maintains an internal fund called the Saskatchewan Advantage Innovation Fund (SAIF) for the purposes of providing support for innovation activities in areas such as education, research and commercialization consistent with the Innovation Saskatchewan mandate. Decisions on projects funded by SAIF are based on a rigorous project evaluation criteria used to vet all projects and are recommended to the Innovation Saskatchewan Board of Directors for approval.